



Director of
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National Intelligence Daily (Cable)

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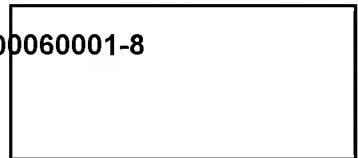
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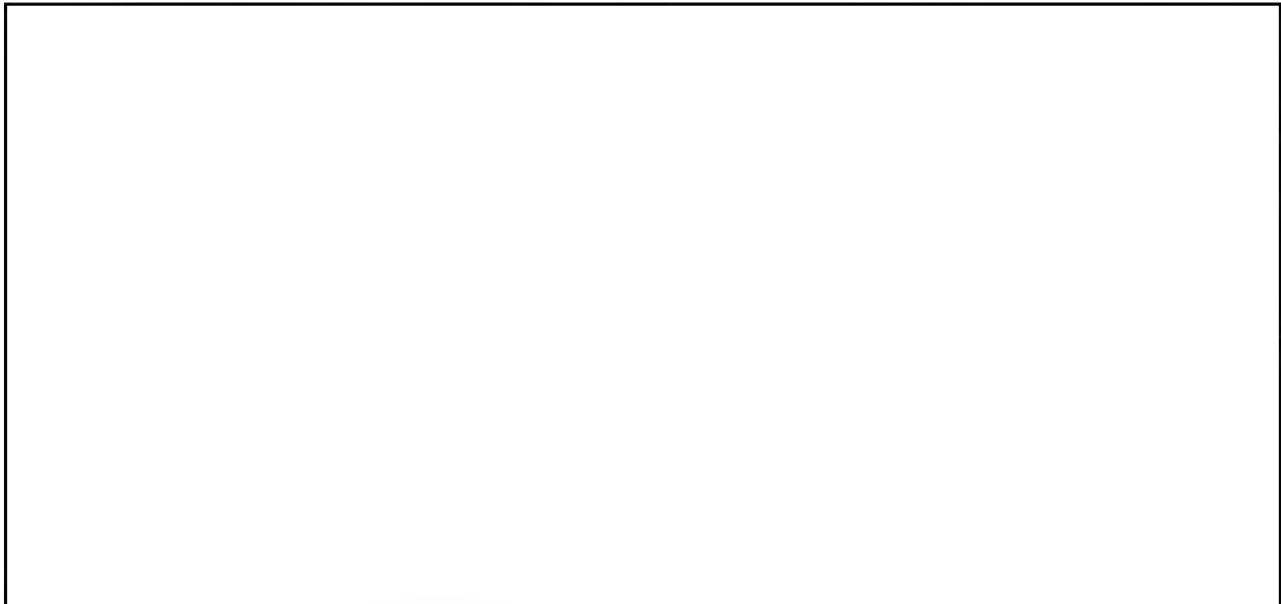
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SITUATION REPORTS

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CHINA-VIETNAM-USSR



Vietnam's Foreign Ministry yesterday released a statement acknowledging China's announced withdrawal of forces, agreeing in principle to negotiate a "restoration of normal relations." This suggests the Vietnamese are considering negotiating larger question than the relatively simple border issue. [redacted]

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The statement made clear that such negotiations are conditional upon all Chinese troops being withdrawn "to the other side of the historic border which both sides have agreed to respect." China, however, has indicated that the border itself is one of the issues to be discussed, and may not be willing to withdraw in all places to the former border line. Vietnam may use this discrepancy as a pretext for refusing to enter into actual negotiations or justification for continued fighting along the frontier. The Foreign Ministry statement concludes with a pledge to fight on if the Chinese statement turns out to be a "trick to cover up their policy of aggression."



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Hanoi continues to publicize its mobilization order of Monday. A *Nhan Dan* editorial yesterday called on civilian organizations nationwide to organize into combat units; Hanoi also publicized a recent send-off ceremony for troops being transferred north. [Redacted]

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Today's *People's Daily* carries an editorial hailing China's "important victory" in the battle with Vietnam and listing the political gains China has achieved as a result of the action. Aside from the primary goal of ensuring a secure border, these gains, according to the editorial, included deflating the "aggressive arrogance" of Hanoi, exploding the "myth of invincibility of this 'Asian Cuba,'" and perhaps most importantly, setting back the Soviet Union's "hegemonic" plans for China and Southeast Asia. The incursion also proved that China is not "weak-nerved" and must be taken at its word in world affairs. The editorial concludes with a harsh attack on Vietnam's leadership and a demand that it withdraw Vietnamese troops from Kampuchea. [Redacted]

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President Brezhnev said yesterday that a Chinese withdrawal from Vietnam would be a sign that Beijing's leaders were "sobering up," according to TASS. Brezhnev again denounced the Chinese invasion and added that only a complete and unconditional withdrawal of Chinese forces can restore peace in the area. Brezhnev made his remarks at a Kremlin meeting with Hungarian party chief Kadar, who arrived in Moscow Monday for a review of bilateral relations. [Redacted]

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Brezhnev's statement suggests that Moscow believes that the Chinese are withdrawing, although the Soviet press continues to report that Chinese forces are engaged in fierce fighting. Moscow probably welcomes the Chinese withdrawal because it not only gets the Soviets off the hook with their Vietnamese allies but it also limits the damage to Soviet-US relations. The Soviets will nonetheless try to portray the withdrawal as another victory for socialist solidarity, with Moscow getting the lion's share of the credit. [Redacted]

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NORTH YEMEN - SOUTH YEMEN

//The military situation in the two Yemens remains unsettled; the immediate cease-fire called for by the Arab League Foreign Ministers may be difficult to implement.//

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//North Yemen has charged privately and publicly that South Yemeni aircraft attacked North Yemeni positions in the Qatabah area yesterday. We cannot confirm these charges. If the North Yemeni accusation is correct, this would be the first time the South Yemenis have used aircraft in a ground-attack role inside North Yemen and would represent an escalation of the conflict.//

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//A leader of the South Yemeni - backed National Democratic Front, which is doing most of the fighting in the southern part of North Yemen, was quoted by UPI on Monday as saying that the "armed struggle will continue until the present North Yemeni regime is overthrown." We believe that South Yemen could rein in the National Democratic Front if it chose to do so. The Front relies on Aden for arms and other materiel support, and the South Yemeni military apparently has played a vital combat support role in the fighting. We are not yet able to judge whether South Yemen will make the political decision to call off the attack on North Yemen. Even if it went along with the cease-fire, the regime in Aden might deem it in its interest to support the Front's continued occupation of the North Yemeni territory it now controls.//

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SOUTH AFRICA: Raids on SWAPO Bases

South African forces yesterday attacked guerrilla staging camps of the South-West Africa People's Organization--two in Angola and one in Zambia, all within 50 kilometers of the Namibian border. Prime Minister Botha announced yesterday that South Africa will not agree to a cease-fire in Namibia unless several provisions in the UN truce plan are revised. Both the military and diplomatic moves appear designed primarily to prevent SWAPO from establishing substantial bases in Namibia which, the South Africans fear, might remain under UN monitoring until independence.

The raids in Zambia, probably at Imusho, and just north of Onjiva, Angola, apparently consisted only of air-strikes, while heliborne troops participated in an attack near Onjiva. The camps probably were primarily forward staging points for guerrillas infiltrating into Namibia. The raids probably had only minor military objectives--the disruption of infiltration plans and retaliation for recent SWAPO terrorism. Improved Cuban air defenses in southern Angola may have influenced military planners to limit the operations.

Botha suggested, in a statement to the South African Parliament, that his government might accept a cease-fire if two points in UN Secretary General Waldheim's latest plan are revised. The plan, according to Botha, must provide for adequate monitoring of SWAPO forces in Angola and Zambia, and it must not allow any guerrillas who are in Namibia at the time of a cease-fire to keep their arms or to set up bases in Namibia. The South Africans apparently fear that, without such revisions, thousands of guerrillas now in Angola and Zambia would move into Namibia during the initial phase of a truce.

The limited scope of the South African incursions as well as Botha's explanations indicate that the military moves were intended to back up further hard bargaining with Waldheim and with the Western sponsors of a Namibia settlement under UN auspices. The military action, however, will complicate Waldheim's already difficult task of completing cease-fire arrangements that are acceptable to all parties.

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WEST GERMANY - NETHERLANDS: Leopard Tank

//The Dutch Defense Ministry announced late last week that it will purchase 445 West German - made Leopard II tanks, spare parts, and ammunition at a cost of \$1.45 billion. The Netherlands thus becomes the first country other than West Germany to select the Leopard II as its main battle tank for the 1980s. Although more expensive than the US-designed XM-1 main battle tank, the Leopard will be available to the Dutch at least three years earlier and will have the advantage of being compatible with the armor of neighboring West Germany, which has ordered 1,800 Leopards. The Leopard will replace the Dutch Army's British Centurion and French AMX-13 tanks. When the purchase and replacement cycle is completed, the Dutch will have effectively improved their armored capability because of the greater firepower of the Leopard and their purchase of additional modern antitank weapons.//

FRANCE: Nonproliferation Policy

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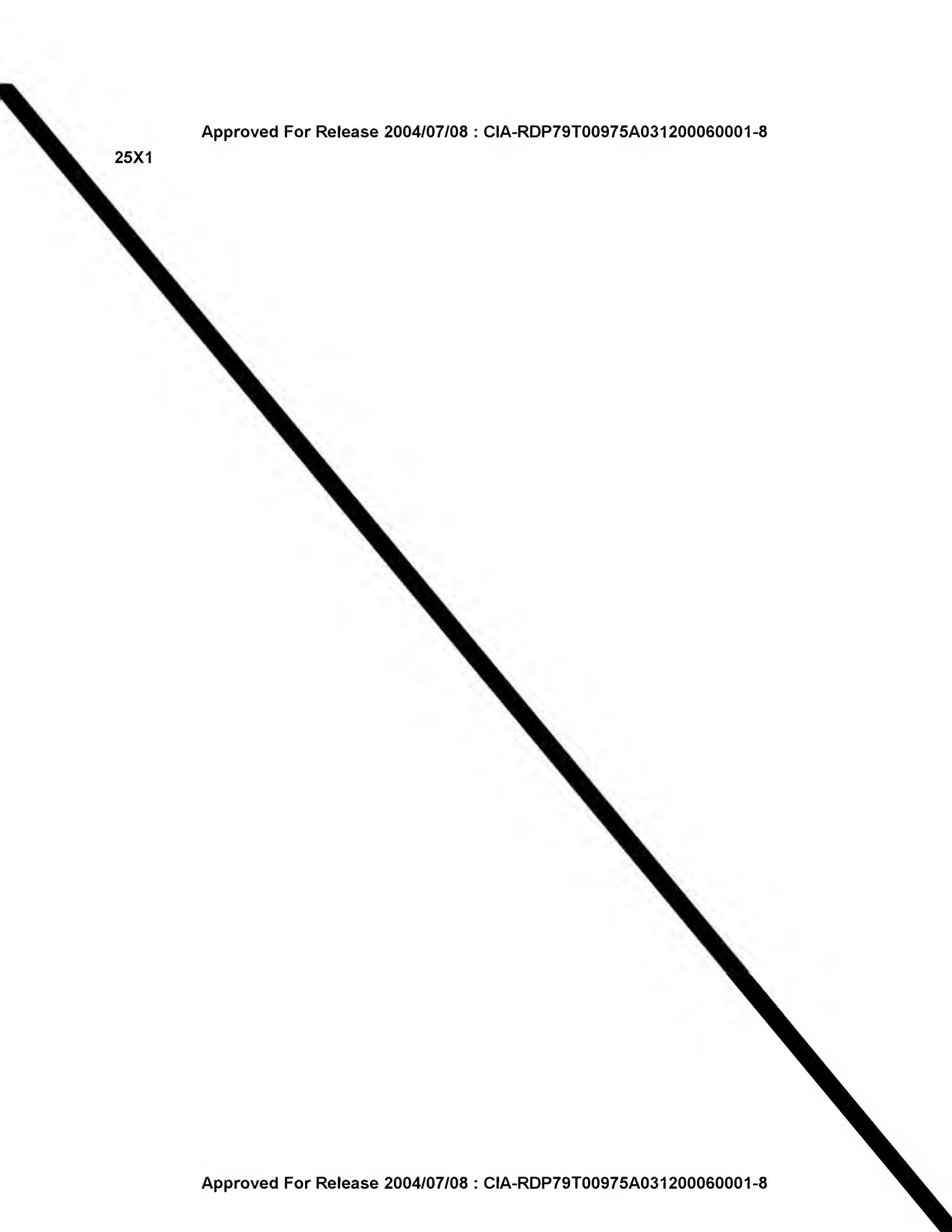
//France has announced that it will seek modification of the European Atomic Energy Community (Euratom) treaty "to make it compatible with France's military nuclear program and its nonproliferation policy." France has had a long-running battle with Euratom over where national prerogatives stop and community prerogatives begin. A recent European Court of Justice decision that interpreted Euratom's powers broadly has further disturbed the French. President Giscard may have decided to take the initiative now because he is under pressure from the Gaullists, who see the issue as one of French sovereignty. Although we do not know the details of the French revisions, other West European countries will very likely oppose them. West German Chancellor Schmidt had already indicated his reservations to Giscard at their summit last month. The French move could also complicate the renegotiation of the US-Euratom nuclear cooperation agreement.//

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SPECIAL ANALYSIS

CHINA: Post-Invasion Objectives

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With its withdrawal from Vietnam now under way, China is turning its attention to drawing maximum political benefit from its apparent military victory. While China may not have lured the Vietnamese into the major, set-piece battle of the magnitude it wanted, Beijing seems to have forced Hanoi to withdraw at least some of its troops from Kampuchea and can claim that it has extorted a promise from Hanoi to negotiate. More important, China has demonstrated its willingness to take forceful steps to do its part to counter what it sees as "expansionist" collaboration between Moscow and certain of its allies and has shown that such moves do not necessarily prompt a strong Soviet reaction.

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China in coming weeks probably will attempt to bring greater international and regional political pressure on Vietnam, citing the "reasonableness" of China's withdrawal and its call for negotiations. Hanoi has indicated officially its willingness to negotiate with Beijing, but only after Chinese troops have withdrawn to the "historic border" between the two countries. This position could result in slowing or blocking the initiation of formal talks because Chinese troops may well continue to hold some disputed areas. If Hanoi balks on the negotiations, Beijing undoubtedly will try to turn Vietnam's "intransigence" to its advantage.

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Internationally, China will point to the absence of a strong Soviet reaction to its invasion as evidence that Moscow's allies are not assured assistance in a crisis. With an eye to the US, China may also use this example of Soviet inaction to tout its longstanding position that Soviet "expansionism" must be met head-on and that this can be done without necessarily bringing on a larger confrontation. The Chinese undoubtedly hope their example will encourage the US and others to take a harder line in their dealings with Moscow.

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Regionally, China will seek to take credit for protecting Southeast Asia from Vietnamese "aggression." China will attempt to use its "defeat" of Vietnam to undercut any tendency in the region to make accommodations with Hanoi. [redacted]

While China's massive military action and the absence of strong Soviet response may give Hanoi second thoughts in the future, it remains highly problematical that there will be any basic change in Hanoi's goals. [redacted]

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While the Chinese have not linked the Vietnamese presence in Kampuchea to their call for Sino-Vietnamese negotiations, they clearly will make the most of the Kampuchean issue. In a brief reference to the Kampuchean situation in a *Peoples' Daily* editorial yesterday, China noted that international pressure for a complete Vietnamese withdrawal from Kampuchea was mounting. Beijing will undoubtedly keep up its criticism of the Vietnamese occupation. [redacted]

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China could also attempt to make the situation more fluid by resuming its campaign to promote a major political role in Kampuchea for the exiled Prince Sihanouk. It would call for a Vietnamese withdrawal, an international conference on Kampuchea, and the creation of a coalition government headed by Sihanouk. This proposition already has some international support. [redacted]

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//Sihanouk, however, has shown no inclination to cooperate in any kind of coalition involving Pol Pot, having suffered at Pol Pot's hands under the last government. The Kampuchean resistance under Pol Pot seems to have taken hold, and the more successful it becomes, the more difficult it will be to reinsert Sihanouk. Even so, the Chinese may now believe that Hanoi cannot occupy Kampuchea indefinitely; the current drawdown of Vietnamese forces there will further bolster China's confidence in this regard.// [redacted]

In sum, China probably feels it has made important progress toward restoring what Vice Premier Deng Xiaoping described to Ambassador Mansfield last month as the "equilibrium" in Indochina. Nonetheless, the invasion leaves China with some important liabilities in pursuing

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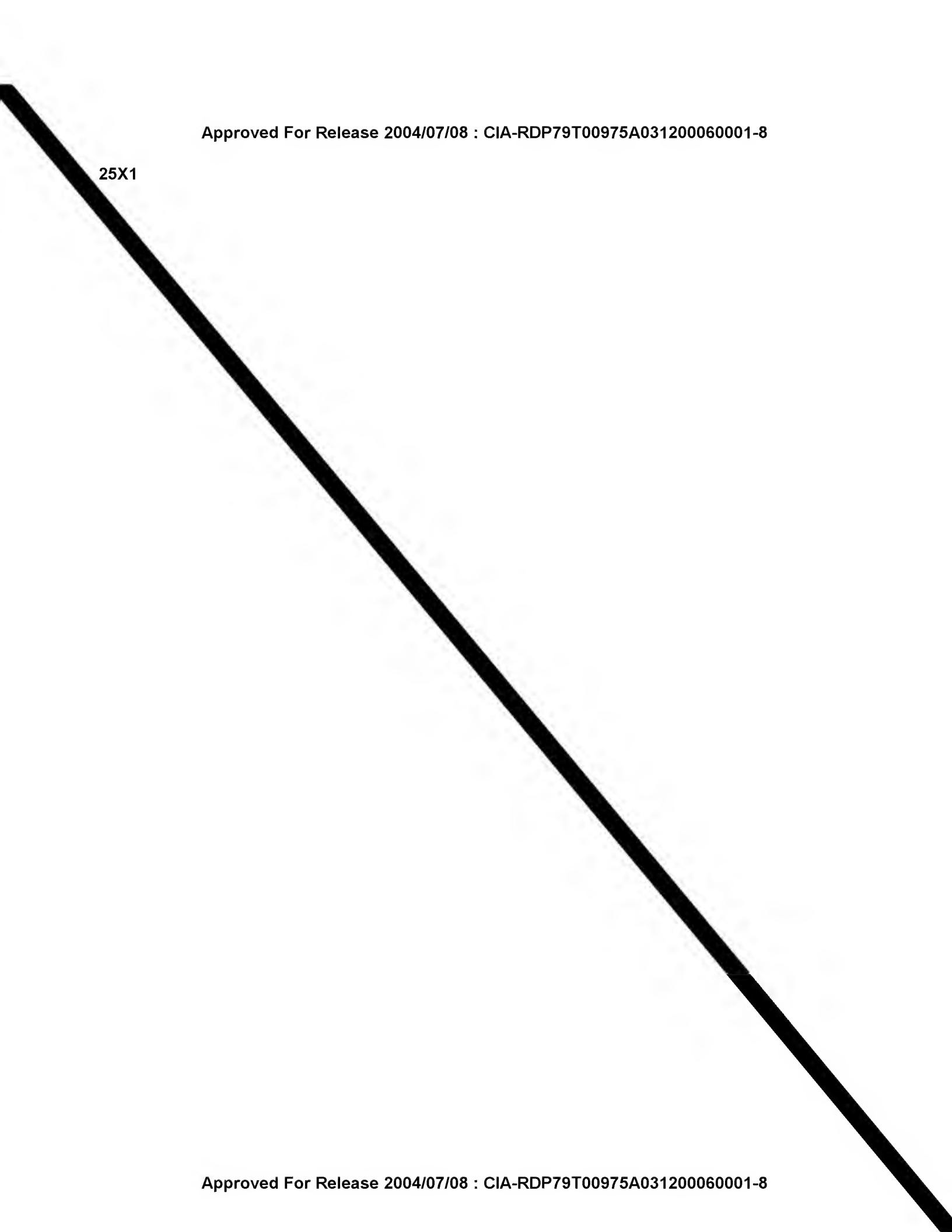
its post-invasion objectives. China's massive but shallow penetration did not do irreparable damage to Hanoi's military establishment, and Beijing has now been branded as "aggressor" along with Hanoi. The Vietnamese, supported by the Soviets, are certain to claim that they drove out the Chinese. A war of words, longer and less conclusive than the military engagement, is bound to ensue. [redacted]

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